

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Application filed by McLeodUSA Telecommunications Services, Inc. (“McLeodUSA” or “Company”) to amend its Certificate of Public Convenience and Necessity to expand its authority to provide resold and facilities-based local exchange telecommunications services and facilities-based interexchange services within the State of South Carolina. McLeodUSA currently holds a Certificate of Public Convenience and Necessity to provide resold intrastate interexchange telecommunications services in the State of South Carolina. Further, McLeodUSA requests that certain of its interexchange telecommunications services be regulated in accordance with the principles and procedures established for alternative regulation in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Also, McLeodUSA requests that the Commission regulate its local

exchange services in accordance with the principles and procedures established for flexible regulation in Order No. 98-16 in Docket No. 97-467-C. The Application was filed pursuant to S.C. Code Ann. Section 58-9-310 (Supp. 1999) and the applicable regulations of the Commission. Subsequent to the filing of the Application, McLeodUSA requested expedited review and disposition of the Application.

McLeodUSA is a corporation organized under the laws of the State of Iowa. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc. ("MHI"), a Delaware corporation. MHI, in turn, is a wholly owned subsidiary of McLeodUSA Incorporated, a publicly traded Delaware corporation.

McLeodUSA was granted a Certificate of Public Convenience and Necessity to provide resold intrastate interexchange telecommunications services within the State of South Carolina on November 4, 1997, in Order No. 97-944 (Docket No. 97-207-C).

By its Application, McLeodUSA states that it wishes to amend its Certificate of Public Convenience and Necessity to expand its authority to provide resold and facilities-based local exchange telecommunications services and facilities-based interexchange services. McLeodUSA seeks expanded authority to provide its services to residential and business customers throughout the State of South Carolina. However, the Company initially plans to provide local exchange services in the service areas of BellSouth Telecommunications, Inc. McLeodUSA seeks statewide authority so that it may expand its local service areas in South Carolina as market conditions may warrant. In addition, McLeodUSA has requested that certain of its interexchange telecommunications services be regulated in accordance with the principles and procedures established for alternative

regulation in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Also, McLeodUSA requests that the Commission regulate its local exchange services in accordance with the principles and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C.

By letter dated April 24, 2001, the Commission's Executive Director instructed the Applicant to publish a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing was to provide notice of the Application to any interested parties and to advise interested parties of the manner and time in which to file pleadings to participate in the docket. The Applicant filed Affidavits of Publication as proof that it had complied with the instructions of the Executive Director. A Petition to Intervene was received from the South Carolina Telephone Coalition ("SCTC") on May 11, 2001.

On June 5, 2001, counsel for SCTC filed with the Commission a Stipulation in which McLeodUSA stipulated that it would seek authority only in non-rural local exchange ("LEC") service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until McLeodUSA provided written notice of its intent prior to the date of the intended service. The Company also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. McLeodUSA agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting

of a statewide Certificate of Public Convenience and Necessity to the Company provided the conditions contained in the Stipulation are met. The Stipulation is approved and attached as Order Exhibit 1.

### **MOTION FOR EXPEDITED REVIEW**

McLeodUSA filed a Motion for Expedited Review of its Application. In furtherance of its request for expedited review, McLeodUSA filed verified testimony in support of its Application to amend its Certificate of Public Convenience and Necessity to expand its authority to provide resold and facilities-based local exchange telecommunications services and facilities-based interexchange services in the State of South Carolina. After McLeodUSA filed its Motion for Expedited Review with the accompanying verified testimony, the Commission Staff brought the matter to the Commission for consideration.

Upon consideration of McLeodUSA's request for expedited review, the Commission finds that expedited review should be granted. By its request, McLeodUSA waives its right to a formal hearing. The Commission finds that notice of the Application was properly afforded to the public and that the SCTC intervened. The Commission finds that procedural due process was afforded in this matter and further finds that the Applicant makes a knowing waiver of a formal hearing. Therefore, the Commission will consider the Application in the context of its regularly scheduled weekly meeting, with court reporter present, and for purposes of the expedited review, the Commission will deem the examination of the Application and verified testimony during the course of the

Commission's regularly scheduled meeting with court reporter present as a hearing on this matter.

### **EXAMINATION OF THE APPLICATION AND VERIFIED TESTIMONY**

According to the Application, McLeodUSA requests that this Commission amend its Certificate of Public Convenience and Necessity to expand its authority to provide resold and facilities-based local exchange telecommunications services and facilities-based interexchange services. McLeodUSA currently holds a Certificate of Public Convenience and Necessity to provide resold intrastate interexchange telecommunications services in the State of South Carolina. Authority to provide resold intrastate interexchange telecommunications services in South Carolina was granted November 4, 1997 by Order No. 97-944 issued in Docket No. 97-207-C. The record reveals that McLeodUSA also provides interstate and international telecommunications services as a nondominant carrier pursuant to authority of the Federal Communications Commission ("FCC"). McLeodUSA seeks authority to provide its services to residential and business customers throughout the State of South Carolina. However, initially McLeodUSA seeks statewide authority so that it may expand its local service areas in South Carolina as market conditions may warrant. In addition, McLeodUSA has requested that certain of its interexchange telecommunications services be regulated in accordance with the principles and procedures established for alternative regulation in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Also, McLeodUSA requests that the Commission regulate its local exchange services in accordance with the principles

and procedures established for flexible regulation in Order No. 98-165 in Docket No. 97-467-C.

According to the Application and the verified testimony of Mr. Conn, McLeodUSA is a corporation organized under the laws of the State of Iowa. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc. ("MHI"), a Delaware corporation. MHI, in turn, is a wholly owned subsidiary of McLeodUSA Incorporated, a publicly traded Delaware corporation. He further testifies that McLeodUSA is legally authorized to transact business in South Carolina by the South Carolina Secretary of State.

Mr. Conn opined that McLeodUSA possesses the financial, technical, and managerial resources to provide these additional telecommunications services in the State of South Carolina. He testified that McLeodUSA is authorized to provide local exchange telecommunications services in twenty-seven states and has pending applications for such authority in thirteen states. Further, Mr. Conn states that McLeodUSA is also authorized to provide intrastate interexchange services in all states except Alaska and Hawaii. In addition, he stated the Company is authorized to provide interstate and international telecommunications services as a nondominant carrier pursuant to authority of the Federal Communications Commission. He testified that McLeodUSA has not been denied requested certification in any jurisdiction, nor has it had a permit, license, or certificate revoked by any authority.

Mr. Conn offers that McLeodUSA is an experienced provider of competitive local exchange and interexchange telecommunications services. He testified that the Company

currently offers integrated telecommunications including local services in its twenty-six state footprint, primarily in the Midwest, Rocky Mountain and Pacific Northwest states. Long distance and advanced data services are available in all states except Alaska and Hawaii. Mr. Conn stated that McLeodUSA offers a full range of resold and facilities-based local exchange services in other states and plans eventually to offer these services in South Carolina. He said initial service offerings, however, will likely be limited to only a subset of these services.

Mr. Conn testified that McLeodUSA's services may include: (1) local exchange access services to single-line and multi-line customers, including basic residential and business lines, direct inward/outward PBX trunk service, PRI-type services, Centrex services, and ISDN; (2) local exchange services to customers of the Company's end user access line services; (3) data services, including DSL, carried through the Company's ATM switches; and (4) switched, dedicated, and special carrier access services to other common carriers. These services will allow customers to originate and terminate local calls to other customers served by McLeodUSA as well as customers served by all other authorized local exchange carriers.

According to the record, the Company will also provide switched access services and various intrastate private line and dedicated access services. Mr. Conn said, in addition, the Company will provide customers access to emergency services, including 911 and enhanced 911 services (where available). When providing local service via resale, Mr. Conn said McLeodUSA may provide operator and directory assistance through the incumbent local exchange carrier ("ILEC"). When customers are migrated to

the Company's network facilities, Mr. Conn said McLeodUSA may provide directory assistance and operator services via its own personnel and equipment.

As to what facilities McLeodUSA will use to provide its proposed local exchange and interexchange services in South Carolina, Mr. Conn testified that McLeodUSA currently has deployed both Lucent and Nortel DMS switches. He said the Company has not made a final decision as to switch deployment in South Carolina. Mr. Conn further stated that McLeodUSA plans to utilize a backbone state-of-the-art fiber optic communications network that will carry traffic from various exchanges in South Carolina to its switches and points of presence. He said the Company will provide twenty-four hour network monitoring and customer service centers.

As to McLeodUSA's managerial abilities to expand its service offerings in South Carolina, Mr. Conn opined that the Company was formed by Clark McLeod, one of the most respected and influential leaders in the telecommunications industry and the founder of the Company's ultimate corporate parent, McLeodUSA Incorporated. Mr. Conn additionally stated that Mr. McLeod served as Chairman and Chief Executive Officer of Teleconnect and President of Telecom\*USA, the successor of Teleconnect, and was responsible for the transformation of the venture, by 1990, into the fourth largest United States long distance carrier. Mr. Conn said that in August of 1990, Telecom\*USA was purchased by MCI for \$1.25 billion. Mr. Conn further testified that Mr. McLeod has assembled a management team for McLeodUSA that possesses extensive managerial, financial, and technical experience in the telecommunications industry.



The record reveals that Stephen C. Gray is McLeodUSA's President and Executive Officer-Local Services. He also serves as Co-Chief Executive Officer, President, and Chief Operating Officer of McLeodUSA's ultimate corporate parent, McLeodUSA Incorporated. Prior to joining McLeodUSA, Mr. Gray served as Vice President of Business Services at MCI. His telecommunications experience also includes a variety of management positions with Telecom\*USA and Williams Telecommunications Company. Roy A. Wilkens is McLeodUSA's President and Chief Executive Officer-Data Services. Mr. Wilkens was President of the Williams Pipeline Company when he founded WilTel Network Services in 1985 as an operating unit of the Williams Companies, Inc. According to the record, J. Lyle Patrick is Chief Financial Officer of both McLeodUSA and McLeod USA's ultimate corporate parent, McLeodUSA Incorporated. Since September 1997, Mr. Patrick has had responsibility for financial, billing and other administrative functions, as well as directing regulatory and legislative efforts with various state and national agencies. The record further reveals that Randall Rings is General Counsel of McLeodUSA and Group Vice President-Chief Legal Officer of McLeod. Mr. Rings has served as Vice President, Secretary and General Counsel of McLeodUSA Incorporated since March 1998.

Mr. Conn offered that McLeodUSA is financially qualified to render the proposed services. He said specifically that the Company has access to ample capital through the strength of its ultimate corporate parent, McLeodUSA Incorporated. He said McLeodUSA Incorporated's annual revenues have grown from in excess of \$23 million for 1994 to more than \$908 million for 1999.

McLeodUSA requested a waiver of S.C. Code Ann. Regs. 103-631 so that the Company will not be required to publish local exchange directories. According to the record, McLeodUSA will make arrangements with the directory publisher for BellSouth to include the names of its customers in BellSouth's directories. The Company additionally requested a waiver of 26 S.C. Code Ann. Regs. 103-610 (1976) so that Telera can maintain its records outside of South Carolina. The Company wishes to maintain its books and records at its headquarters in Cedar Rapids, Iowa. In addition, McLeodUSA requested a waiver of any reporting requirements stating that although reporting requirements might be applicable to incumbent local exchange carriers, they are not applicable to competitive carriers such as McLeodUSA because such requirements are not consistent with the demands of the competitive market and constitute an undue burden on a competitive carrier. This Commission generally denies such requests for a waiver of reporting requirements. Commission Staff has determined that the Company should be required to file annual financial reports and quarterly local service quality reports (S.C. Code Regs. 103-618 and 619) (1976 and Supp. 2000).

Upon review and consideration of the Application, the verified testimony of Mr. Conn, and the applicable law, the Commission hereby issues its findings of fact and conclusions of law:

#### **FINDINGS OF FACT**

1. McLeodUSA is a corporation organized under the laws of the State of Iowa. McLeodUSA is a wholly owned subsidiary of McLeodUSA Holdings, Inc., a

Delaware corporation. MHI, in turn, is a wholly owned subsidiary of McLeodUSA Incorporated, a publicly traded Delaware corporation.

2. McLeodUSA was granted a Certificate of Public Convenience and Necessity to provide resold intrastate interexchange telecommunications services within the State of South Carolina on November 4, 1997, in Order No. 97-944 (Docket No. 97-207-C).

3. McLeodUSA is a provider of local exchange and interexchange telecommunications services and wishes to provide its services in South Carolina.

4. McLeodUSA has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B)(1) (Sup. 2000).

5. The Commission finds that McLeod's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B)(3) (Supp. 2000).

6. The Commission finds that McLeodUSA will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B)(4) (Supp. 2000).

7. The Commission finds that McLeodUSA will provide services which will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280(B)(2) (Supp. 2000).

8. The Commission finds that the provision of local exchange service by McLeodUSA "does not otherwise adversely impact the public interest." S.C. Code Ann. Section 58-9-280 (B)(5) (Supp. 2000).

### **CONCLUSIONS OF LAW**

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to McLeodUSA to provide competitive resold and facilities-based intrastate local exchange services only to customers located in the non-rural areas of the state. The terms of the Stipulation between McLeodUSA and SCTC are approved, and adopted as a part of this Order. Therefore, any proposal to provide local telecommunications service to rural service areas is subject to the terms of the Stipulation. In addition, McLeodUSA is granted authority to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through its own facilities and through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission as previously authorized in Order No. 97-944.

2. McLeodUSA shall file, prior to offering local exchange services in South Carolina, its final tariff of its local service offerings conforming to all matters discussed with Staff and comporting with South Carolina law in all matters. McLeodUSA's local telecommunications services shall be regulated in accordance with the principles and

procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C.

Specifically, the Commission adopts for McLeodUSA's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels that will have been previously approved by the Commission. Further, McLeodUSA's local exchange service tariff filings are presumed valid upon filing, subject to the Commission's right within thirty (30) days to institute an investigation of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. Further, any such tariff filings will be subject to the same monitoring process as similarly situated competitive local exchange carriers.

3. The Commission adopts a rate design for the long distance services of McLeodUSA which are consistent with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

Under the Commission approved alternative regulation, the business service offerings of McLeodUSA, including consumer card services and operator services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. This alternative regulatory scheme also allows for the removal of maximum rate tariff requirements for its interexchange business services, consumer card, operator

service, private line, and customer network-type offerings. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the future reporting requirements that may be adopted for AT&T shall apply to McLeodUSA also.

4. With regard to the residential interexchange service offerings of McLeodUSA, the Commission adopts a rate design which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

5. With regard to residential interexchange service rates, McLeodUSA shall not adjust its residential interexchange service rates below the approved maximum level without notice to the Commission and to the public. McLeodUSA shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the

tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 2000).

6. If it has not already done so by the date of issuance of this Order, McLeodUSA shall file its revised long distance tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

7. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs McLeodUSA to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, McLeodUSA shall contact the 911

Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

8. McLeodUSA is subject to access charges pursuant to Commission Order No. 86-584 in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

9. With regard to the Company's interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

10. McLeodUSA shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If McLeodUSA changes underlying carriers, it shall notify the Commission in writing.

11. With regard to the origination and termination of toll calls within the same LATA, McLeodUSA shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

12. McLeodUSA shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The annual report and the gross receipt filings will necessitate the filing of intrastate



information. Therefore, McLeodUSA shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at [www.psc.state.sc.us/forms/default.htm](http://www.psc.state.sc.us/forms/default.htm). The two page form the Company shall use to file this information is entitled "Annual Information on South Carolina Operations for Interexchange Companies and AOS". Be advised that the Commission's annual report for telecommunications companies requires the filing of intrastate revenues and intrastate expenses.

13. In addition, McLeodUSA is required to file annual report information for competitive local exchange carriers. The form the Company shall use to file annual financial information with the Commission can be found at the Commission's website at [www.psc.state.sc.us/forms/default.htm](http://www.psc.state.sc.us/forms/default.htm). This form is entitled "Annual Report for Competitive Local Exchange Carriers" and consists of four pages. Additionally, McLeodUSA shall file with the Commission a quarterly report entitled "CLEC Service Quality Quarterly Report." The proper form for this report is found on the Commission's website at [www.psc.state.sc.us/forms/default.htm](http://www.psc.state.sc.us/forms/default.htm).

14. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

McLeodUSA shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the Company shall use to file this authorized utility representative information can be found at the Commission's website at [www.psc.state.sc.us/forms](http://www.psc.state.sc.us/forms). This form is entitled "Authorized Utility Representative Information." Further, the Company shall promptly notify the Commission in writing if the representatives are replaced. McLeodUSA shall also file with the Commission, with its Final Tariff, a copy of its general Bill Form as required by S.C. Code Regs. 103-612.2 and 103-622 (1976 and Supp. 2000).

15. McLeodUSA shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

16. By its Application, McLeodUSA requested a waiver of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000). In lieu of publishing local directories, McLeodUSA informs the Commission that it will contract with the incumbent LECs to provide McLeodUSA's customers with directory listings, as well as to undertake the distribution of directories. The Commission finds McLeodUSA's request reasonable and grants the requested waiver of the application of 26 S.C. Code Ann. Regs. 103-631 (1976 and Supp. 2000). Further, McLeodUSA is granted a waiver of 26 S.C. Regs. 103-610 (1976 and Supp. 2000) requiring the Company to maintain its financial books and records within the State of South Carolina. McLeodUSA is hereby granted permission to maintain its financial books and records at its principal headquarters in Cedar Rapids,

Iowa. Additionally, McLeodUSA requested that it not be subjected to various reporting requirements. The Commission feels that the Company should be required to file annual financial reports and quarterly local service quality reports (S.C. Code Ann. Regs. 103-618 and 619 (1976 and Supp. 2000)). Further, the Commission acknowledges that McLeodUSA will maintain its financial books and records in conformance with GAAP. McLeodUSA is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

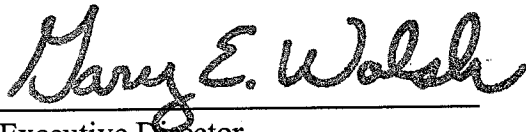
17. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director

(SEAL)

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA7/1/01  
filed 6/5/01

Docket No. 2001-113-C

Re: Application of McLeodUSA Telecommunications Service )  
 Inc. to Amend Its Certificate of Public Convenience and )  
 Necessity to Expand Its Authority to Provide Resold )  
 and Facilities-based Local Exchange Telecommunications )  
 Services and Facilities-based Interexchange Services in the )  
 State of South Carolina )

## STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and McLeodUSA Telecommunications Service, Inc. ("McLeodUSA") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose McLeodUSA's Application. SCTC and McLeodUSA stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to McLeodUSA, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.
2. McLeodUSA stipulates and agrees that any Certificate which may be granted will authorize McLeodUSA to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.
3. McLeodUSA stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. McLeodUSA stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until McLeodUSA provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, McLeodUSA acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. McLeodUSA stipulates and agrees that, if McLeodUSA gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then McLeodUSA will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. McLeodUSA acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and McLeodUSA, and this Stipulation in no way suspends or


adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. McLeodUSA agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

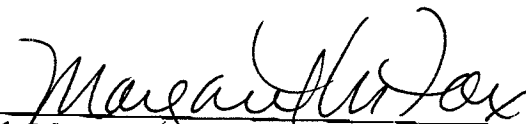
9. McLeodUSA hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 17 day of May, 2001.

McLeodUSA Telecommunications Service, Inc.:

  
Richard S. Lipman  
Assistant General Counsel  
McLeodUSA

South Carolina Telephone Coalition:

  
M. John Bowen, Jr.  
Margaret M. Fox  
McNAIR LAW FIRM, P.A.  
Post Office Box 11390  
Columbia, South Carolina 29211  
(803) 799-9800

Attorneys for the South Carolina Telephone Coalition

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

Docket No. 2001-113-C

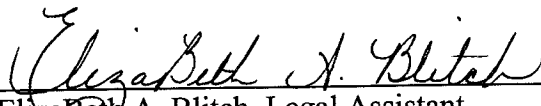
Re: Application of McLeodUSA Telecommunications Service )  
Inc. to Amend Its Certificate of Public Convenience and )  
Necessity to Expand Its Authority to Provide Resold )  
and Facilities-based Local Exchange Telecommunications )  
Services and Facilities-based Interexchange Services in the )  
State of South Carolina )

---

**CERTIFICATE OF  
SERVICE**

I, ElizaBeth A. Blich, do hereby certify that I have this date served one (1) copy of the foregoing Stipulation upon the following party of record by causing said copy to be deposited with the United States Mail, first class postage prepaid to:

Grace R. Chiu, Esquire  
Swidler Berlin Shereff Friedman, LLP  
3000 K Street, N.W.  
Suite 300  
Washington, S.C. 20007-5116.

  
ElizaBeth A. Blich, Legal Assistant  
McNAIR LAW FIRM, P.A.  
Post Office Box 11390  
Columbia, South Carolina 29211  
(803) 799-9800

June 5, 2001

Columbia, South Carolina